
Feature 3 Transition to an Audit and Supervisory Committee

In June 2018, Kyushu Electric Power transitioned to an Audit and Supervisory Committee.

Chairperson Uriu discussed the advantages of the new approach as well as the ongoing roles of external directors Ritsuko Kikukawa and Akiyoshi Watanabe.



Michiaki Uriu

Member of the Board of Directors,
Chairperson

Ritsuko Kikukawa

Member of the Board of Directors
(External)

Akiyoshi Watanabe

Member of the Board of Directors
(External)

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Q1

Kyushu Electric Power has transitioned to an Audit and Supervisory Committee. What advantages do you anticipate from this move?

A1

Uriu

We expect two main advantages: strengthened corporate governance and accelerated decision making.

Under the new structure, the Audit and Supervisory Committee will assume the duties formerly executed by the Board of Corporate Auditors. Since Audit and Supervisory Committee members also sit on the Board of Directors, they will have the authority to make recommendations and give input in such areas as assignments and compensation for directors, as well as the right to vote at Board of Directors meetings.

As such, compared to the former Board of Corporate Auditors approach, their oversight function with respect to the Board of Directors will be strengthened.

In addition, with the exception of issues covered by laws and regulations and the articles of incorporation, the Board of Directors can now delegate important operational decisions to board members. This will accelerate decision making and be extremely beneficial in a rapidly changing operating environment, especially in promoting growth businesses and other initiatives.





Q2

As a corporation with an Audit and Supervisory Committee, how will the role of external directors who are not members of that committee change?

A2

Uriu

Both Mr. Watanabe and Ms. Kikukawa are external directors who do not sit on the Audit and Supervisory Committee, and we look forward to their continued participation in management from an independent, outside standpoint.

With the establishment of the Audit and Supervisory Committee, issues delegated for decision to directors are to be discussed by the Corporate Management Committee, and this makes the management committee even more important than before. From the perspective of maintaining and strengthening oversight of the Board of Directors, I believe it will be increasingly important for both of them to continue providing input, not only to the board but also to the Corporate Management Committee, concerning all manner of management issues.

Kikukawa

As external directors, our role is to offer frank, objective input from an outside perspective and to oversee the conduct of management. Delegating decision-making authority to board members has the merit of enabling more nimble management. However, it brings with it the risk of management errors that could negatively impact corporate value. We attend meetings of the

Board of Directors as well as Corporate Management Committee meetings and strive to offer input based on our respective experience. I look forward to helping to speed up the pace of management decision making on the part of the board members while occasionally acting as a brake from a risk control perspective, in order to provide appropriate management oversight.

Watanabe

I agree with Ms. Kikukawa. From a management oversight perspective, our participation as external directors in Corporate Management Committee meetings is even more important than before. The Corporate Governance Code stipulates that the company shall have at least two external directors. I understand that in some cases, companies have fulfilled this requirement by placing their external auditors on the Audit and Supervisory Committee. I am fully aware of my role as an external director who does not sit on the Audit and Supervisory Committee, and I look forward to representing the opinions of shareholders to the Board of Directors appropriately and contributing to enhancing corporate value over the medium to long term.

Q3

What do you anticipate from this new structure under President Ikebe?

A3

Uriu

During my six years as president, I believe I was able to lay out a path to such medium to long term goals as restarting our nuclear power generation units, responding to competition brought by industry deregulation, and fostering innovation, and I decided it was time to place the charting of our management course in new hands as we move toward a major growth stage.

In addition to knowledge, ability, and experience, President Ikebe has outstanding comprehensive capacity, including broad vision, a talent for resolute action, and extensive management expertise. To date we have spent much time discussing a broad range of management challenges, and I am confident he is capable of making rapid, appropriate decisions in response to our rapidly changing business environment,

as well as further enhancing our corporate value. I will continue to support the president so that he can fully leverage his capabilities and demonstrate leadership, and as chairman of the Board of Directors, I will work to further strengthen its oversight functions.

Watanabe

To date, President Ikebe has been involved in formulating the Medium-term Management Policy, financial objectives, and innovation efforts, and has helped plot Kyushu Electric Power's strategic direction. As chairperson of the Personnel Committee, I believe he was the right choice to assume position as president.

Moreover, a performance-based stock remuneration system for directors was adopted this fiscal year under the new structure. I participated in designing



this system as chairperson of the Compensation Committee; the system links stock remuneration to the degree of achievement of the ¥110 billion financial objective in consolidated ordinary income. I believe this system will promote sharing of our corporate value with shareholders, and will further incentivize the management team to enhance corporate value and boost the stock price.

As the incentive to generate profits increases, I will execute my oversight role as an external director meticulously, to ensure that the conduct of management does not stray outside legal or other appropriate limits.

Kikukawa

The future of the electric power industry is facing uncertainty from numerous directions, including new market entry. The difficult challenges that lie ahead

cannot be met by relying on past experiences of success. To overcome them will require the company to understand stakeholder opinion and the needs of a new era, and to move forward with fresh vision. Kyushu Electric Power has a mechanism for communicating investor opinions gathered through IR activities to the Board of Directors on a regular basis, and this information is shared with all board members.

As we strive under the new structure to become a corporate group that provides Japan's best energy services while taking into account investor input, I will do my best to provide the kind of useful advice that my external perspective makes possible.

